

## Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00  
SP-02 AID-05 EB-08 NSC-05 TRSE-00 SS-15 STR-04  
OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07  
NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 L-03 DODE-00  
PA-01 PRS-01 EA-07 ITC-01 /087 R

DRAFTED BY EUR/EE:GBOUTIN/CWSCHMIDT:TL:LG

APPROVED BY EUR/EE:CWSCHMIDT

TREASURY:PSUCHMAN

COMMERCE:AJENKENS

EB/ITP/EWT:HKOPP

EB/ITP/STA:JSPIRO

-----190237Z 131036 /61

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FM SECSTATE WASHDC

TO AMEMBASSY WARSAW IMMEDIATE

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E.O. 11652: N/A

TAGS: ETRD, PL

SUBJECT: VISIT OF POLISH TRADE DELEGATION

REFERENCE: WARSAW 7081

1. SUMMARY: VICE MINISTER STRZELECKI WAS RECEIVED BY  
UNDER SECRETARIES-DESIGNATE SOLOMON AND ANDERSON OF  
TREASURY ON MARCH 16 AND BY UNDER SECRETARY-DESIGNATE  
COOPER ON MARCH 17. HE ALSO HAD A BRIEF MEETING ON  
MARCH 17 WITH ASSISTANT SECRETARY-DESIGNATE JASINOWSKI OF  
COMMERCE. WORKING LEVEL DISCUSSIONS WERE HELD AT TREASURY  
ON BOTH DAYS. TREASURY AGREED TO WAIT 30 DAYS FOR ANY NEW  
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EVIDENCE THAT THE POLES WISH TO SUBMIT CONCERNING GOLF  
CARTS ENTERED IN 1976, BUT THE POLES WERE INFORMED THAT  
THE FINAL ASSESSMENT PROCESS FOR ENTRIES BEFORE 1976 WILL  
NOW PROCEED, ALTHOUGH SOME MINOR TECHNICAL ADJUSTMENTS  
MAY BE MADE. TREASURY SUGGESTED A METHOD THAT WOULD HELP  
THE POLES AVOID FUTURE DUMPING DUTIES. END SUMMARY.

2. DURING THEIR MEETING WITH UNDER SECRETARY-DESIGNATE SOLOMON THE POLES EXPRESSED THEIR STRONG HOPE THAT A SOLUTION COULD BE FOUND WHICH WOULD PERMIT THEIR GOLF CART EXPORTS TO CONTINUE TO THIS MARKET. THEY STRESSED THE IMPORTANCE THAT HIGH-LEVEL POLISH OFFICIALS ATTACH

TO THE PROBLEM SINCE IN THEIR VIEW IT HAS BECOME A SYMBOL OF POLAND'S ABILITY TO DEVELOP NEW EXPORT MARKETS. THEY INDICATED THAT THE GOLF CART PROBLEM NOW HAS TWO BASIC ELEMENTS: TO FIND SOME WAY TO REDUCE THE 2.2 MILLION DOLLARS IN DUMPING DUTIES TREASURY INTENDS TO ASSESS ON 1975-76 IMPORTS; AND TO FIND A FORMULA WHICH WILL PERMIT LONG-TERM SALES CONTRACTS TO BE CONCLUDED FOR 1977 ONWARD. SOLOMON CONCENTRATED ON THE SECOND ELEMENT OF THE PROBLEM. HE TOLD THE POLES EMPHATICALLY THAT THIS WAS NOT A POLICY ISSUE SINCE THE QUESTION CONCERNED THE EXECUTION OF EXISTING LAWS AND REGULATIONS. WE WERE SYMPATHETIC AND STRONGLY FAVORED INCREASED US-POLISH TRADE, BUT THE LAW IS THE LAW. HE THEN, TOGETHER WITH DEPUTY ASSISTANT SECRETARY SUCHMAN, OUTLINED A MEANS WHEREBY TREASURY COULD ADVISE THE POLES OF AN ESTIMATED FAIR MARKET VALUE ON WHICH THEY COULD CONCLUDE LONG-TERM GOLF CART CONTRACTS. FOLLOWING SIGNATURE OF THE CONTRACTS, CUSTOMS WOULD DETERMINE FAIR VALUE; IF THIS DID NOT DIFFER FROM THE ADVISORY ESTIMATE, ANTI-DUMPING DUTIES WOULD BE AVOIDED. IF THERE WERE A DIFFERENCE, THE CONTRACTS COULD BE RENEGOTIATED. SUCHMAN ALSO MADE IT CLEAR THAT CANADIAN SALES HAD TO BE "SIGNIFICANT" IN NUMBER TO BE USED AS BASIS FOR FAIR-VALUE LIMITED OFFICIAL USE

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DETERMINATION. IF THEY ARE NOT SIGNIFICANT, TREASURY WOULD HAVE NO ALTERNATIVE BUT TO USE AMERICAN SELLING PRICE. IN RESPONSE TO QUESTIONING, SUCHMAN SAID THAT SALE OF ONE GOLF CART WOULD NOT BE CONSIDERED SIGNIFICANT, BUT THE SALE OF THIRTY CARTS TO RMS HAD BEEN ACCEPTED AS SIGNIFICANT. HE REFUSED TO DEFINE THE TERM MORE PRECISELY.

3. THE DETAILED DISCUSSIONS CHAIRED BY SUCHMAN AND STRZELECKI, WITH PARTICIPATION BY CUSTOMS, STATE AND COMMERCE REPRESENTATIVES, CONCENTRATED ON AN EXPLANATION OF THE ANALYSIS OF THE DUTIES TO BE LEVIED ON ENTRIES DURING 1975 AND 1976. THE POLES ARGUED THAT THE MARATHON SELLING PRICES REPORTED BY TREASURY'S AGENT IN CANADA AND USED AS THE BASIS FOR DETERMINING FAIR VALUE FOR THE FIRST THREE QUARTERS OF 1976 SHOULD BE REEXAMINED BECAUSE THE SELLING PRICE TO RMS WHICH WAS USED FOR THE LAST QUARTER OF 1976 WAS MUCH LOWER. SUCHMAN AGREED THAT THEY WOULD ASK THE TREASURY AGENT IN CANADA TO

CLARIFY THIS QUESTION. HE ALSO AGREED TO GIVE THE POLES THIRTY MORE DAYS TO SUBMIT NEW EVIDENCE RELEVANT TO THEIR 1976 ENTRIES. SUCHMAN WARNED THE POLES THAT THE REVIEW OF 1976 CANADIAN PRICES MIGHT BACKFIRE ON THEM IF IT TURNS UP EVIDENCE THAT THE CANADIAN PRICES ARE BELOW THE COST OF PRODUCTION OR CANNOT BE UTILIZED FOR SOME OTHER

REASON. IN THAT EVENT THE ONLY ALTERNATIVE WOULD BE TO USE THE PRICE OF THE AMERICAN PRODUCT. THE POLES INSISTED THAT THEY WANT TREASURY TO REVIEW THE PRICES AND THAT THEY WANT MORE TIME TO SUBMIT THEIR OWN ADDITIONAL EVIDENCE. SUCHMAN WARNED THAT TREASURY COULD NOT ALLOW POLES TO, IN EFFECT, CONDUCT THE INVESTIGATION, AND THAT ANY SUCH EVIDENCE WOULD HAVE TO BE VERIFIED.

4. REGARDING THE ASSESSMENT FOR 1975, TREASURY AGREED TO REEXAMINE TWO TECHNICAL POINTS THAT MIGHT LEAD TO A LIMITED OFFICIAL USE

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SMALL REDUCTION OF THE 1975 DUTIES. ONE OF THESE POINTS IS A POLISH ALLEGATION THAT AN ADJUSTMENT WAS NOT PROPERLY MADE FOR THE AUTOMATIC BRAKE IN THEIR GOLF CART. THE SECOND INVOLVES CERTAIN CONDITIONS IN THE SALES CONTRACTS. FOLLOWING ITS REEXAMINATION, WHICH IS EXPECTED TO BE COMPLETED WITHIN THE NEXT FEW DAYS, TREASURY WILL INFORM THE POLISH GOVERNMENT IN WRITING OF ITS FINDINGS. FYI: TREASURY DOES NOT EXPECT THIS REEXAMINATION TO CHANGE ITS CONCLUSIONS. END FYI.

5. STRZELECKI AND AMBASSADOR TRAMPCZYNSKI HAD WIDE-RANGING, GENERAL DISCUSSION WITH UNDER SECRETARY-DESIGNATE COOPER MARCH 17. STRZELECKI SAID GOLF CART CASE POSED VERY DIFFICULT ISSUE FOR POLAND, PARTICULARLY DUE TO ITS BROADER IMPLICATIONS FOR EXPORT GROWTH TO THIS MARKET. COOPER ACKNOWLEDGED THAT, INSOFAR AS IT APPLIED TO NON-MARKET ECONOMY COUNTRIES, US ANTIDUMPING LAW WAS "PECULIAR", BUT STRESSED THAT US MARKET WAS GENERALLY OPEN. HE CALLED ATTENTION TO RAPID GROWTH OF POLISH EXPORTS AND TO NEED TO AVOID A BILATERAL APPROACH TO TRADE. WITH REGARD TO SHOES, COOPER CITED THE EXPLOSION OF IMPORTS FROM KOREA AND TAIWAN, SAYING THAT US HAD TO ACCEPT CHANGE BUT THERE MUST BE CONCERN FOR THE RATE OF CHANGE. HE SAID STATE IS TRYING TO AVOID RESTRICTIONS. MENCON WILL FOLLOW.

6. FOLLOWING CONCLUSION OF FORMAL TALKS AT TREASURY ON MARCH 17, VICE MINISTER STRZELECKI TOLD DEPARTMENT OFFICER THAT HE WAS "OPTIMISTIC" ABOUT OUTCOME OF THE CASE BUT THAT OF COURSE THE KEY FACTOR WILL BE WHAT INFORMATION CUSTOMS WILL BE ABLE TO OBTAIN IN ITS FURTHER

INVESTIGATION IN CANADA. HE DEFINED A FAVORABLE OUTCOME IN TERMS ALONG LINES OF THOSE EXPRESSED TO AMBASSADOR DAVIES BEFORE LEAVING WARSAW (REFTEL, PARA 4): A REDUCTION IN DUTIES TO BE ASSESSED FOR 1976 AND, HOPEFULLY, 1975 AS WELL, AND THE FINDING OF A WAY TO PERMIT NEW LIMITED OFFICIAL USE

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LONG-TERM CONTRACTS TO BE CONCLUDED FOR 1977 ONWARD WITHOUT ASSESSMENT OF ANTIDUMPING DUTIES. HE AGREED WITH

DEPARTMENT OFFICER'S SUGGESTION THAT, ASSUMING A WORST-CASE CONCLUSION ON EFFORTS TO REDUCE DUTIES FOR 1975-76 (I.E., NO RPT NO REDUCTION IN TREASURY'S ASSESSMENTS), THE MOST IMPORTANT OBJECTIVE WAS TO FIND A WAY TO PERMIT EXPORTS TO CONTINUE WITHOUT FURTHER ANTIDUMPING DUTIES. WITH GOOD WILL, STRZELECKI SAID, HE WAS CONFIDENT SUCH A RESOLUTION COULD BE FOUND. DEPARTMENT OFFICER STRESSED THAT, FROM OUTSET OF THIS CASE, THERE HAD BEEN GOOD WILL ON US SIDE TO REACH POSITIVE OUTCOME, AND THAT THIS REMAINED SO. THE DIFFICULTY LAY WITH THE CONSTRAINTS OF U.S. LAWS AND REGULATIONS. FURTHERMORE, BECAUSE OF LENGTHY TIME CASE HAD BEEN UNDER DISCUSSION AND CONSEQUENT GROWING CONCERN ON PART OF U.S. COMPLAINANTS, IT NOW HAD BECOME IMPERATIVE FOR TREASURY TO BEGIN TO ASSESS DUTIES WITHOUT FURTHER DELAY.

7. COMMENT: THERE DOES NOT SEEM TO BE MUCH ROOM FOR REDUCTION OF THE DUTIES FOR 1975 AND 1976. MOREOVER, THERE IS A DANGER THAT SHOULD THE RENEWED INVESTIGATION SHOW THAT THE MARATHON UTILITY CART PRICE IS LESS THAN THE COST OF PRODUCTION OR SHOULD THE SALES TO RMS BE FOUND TO BE "NOT IN THE ORDINARY COURSE OF TRADE", THE DUTIES FOR ALL OR PART OF 1976 MIGHT HAVE TO BE LEVIED ON THE BASIS OF AMERICAN SELLING PRICE. SUCHMAN AND THE OTHER USG OFFICIALS REPEATEDLY EXPLAINED THIS DANGER TO STRZELECKI AND TO OTHER MEMBERS OF THE POLISH DELEGATION, BUT WE ARE AFRAID THAT THEY MAY NOT HAVE FULLY REALIZED THIS PROBLEM. WE HOPE THAT THE EMBASSY WILL TAKE EVERY OPPORTUNITY TO REITERATE THESE POINTS IN WARSAW.  
VANCE

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## Message Attributes

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